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FACT SHEET

SENDING MONEY ABROAD: REMITTANCE TRANSFERS

Immigrant and other working individuals in the United States sent an estimated $38-48 billion back to families and others living abroad in 2009. [The World Bank, "Migration and Remittances Factbook 2011" (November 2010) ("World Bank")] [CBO, "Migrants' Remittances and Related Economic Flows" (February 2011)][1]

- While consumers may often send small dollar amounts abroad each time, these transfers can add up for individuals and families. For example, roughly half of the Latin American immigrants in the United States send money home on a regular basis. [Inter-American Development Bank, "The Changing Pattern of Remittances, 2008 Survey of Remittances from the United States to Latin America" (April 2008)][2]
- Remittances from the United States and elsewhere are important to the economies of many Latin American countries, including El Salvador.
    - The World Bank estimates that $57 billion in remittances from the United States and elsewhere were received by all Latin American and Caribbean countries in 2009 (equivalent to 1.4% of aggregate Gross National Income, or GNI). [World Bank]
    - El Salvador is the fifth largest remittance-receiving country in the region. In 2009, El Salvador received approximately $3.5 billion in foreign remittances from the United States and elsewhere, equivalent to 17% of the country's GNI. Remittance flows in 2010 were estimated to be $3.6 billion. [World Bank][3]

Prior to the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, there was no comprehensive regulatory authority to protect the rights of consumers using remittance services.

- Remittance transfer providers were not always required to disclose, prior to initiating a transaction for a consumer, the costs, fees, and exchange rate associated with the transaction. This could make it difficult for consumers to know the amount that would be received at the other end.

[1] Researchers use the term "remittance" to refer to a variety of cross-border transfers of cash or other assets. The World Bank estimates include three categories: (a) private transfers by migrant workers who are residents of their host country to their countries of origin, (b) compensation paid to migrant workers who worked abroad for less than a year, and (c) assets that migrant workers transfer at the time of migration. For remittances sent from the U.S., the smaller figure, $38 billion, represents all "private transfers," in other words the amount of cash or in-kind transfers that foreign-born workers in the United States sent to households abroad. The larger figure represents the sum of those private transfers and the compensation of foreign employees who were in the United States for less than a year (some of which may have been spent in the United States).

[2] Figures are based on a 2008 survey of 5,000 Latin American adults in the United States. The survey did not include immigrants from Haiti or English-speaking Caribbean nations.

[3] Private transfers account for nearly the entire sum of El Salvador's reported remittances received.

- Certain commonly used methods for making remittance transfers were not covered by the federal regulations that apply to many other consumer payments transactions, chiefly under the Electronic Fund Transfer Act (EFTA).

The Dodd-Frank Act provides new federal rules and oversight over many consumer remittance providers, to ensure clear disclosure of remittance costs and to establish consumer rights if an error is made.

- The Federal Reserve Board and the new Consumer Financial Protection Bureau (CFPB) will have the authority to lay down common-sense rules of the road for all remittance providers. These rules will ensure the following for remittance transfers (i.e., certain transfers to recipients located in foreign countries):
    - Consumers receive pre-transactional pricing disclosures and receipts that list all fees charged, and the amount that should be received by the family member or friend on the other end of the transaction (in the currency in which it is received).
    - Remittance transfer providers make certain disclosures not only in English, but also in any foreign languages that they principally use to market their products at the relevant office.
    - Remittance transfer providers abide by fair error resolution procedures similar to what consumers currently enjoy when they use their ATM cards.
- The CFPB will enforce these new consumer protections for remittance transfers, consistent with the Dodd-Frank Act.
- The Federal Reserve Board, working with the Federal Reserve Banks and the Department of the Treasury, is directed to expand the use of the automated clearinghouse system and other payment mechanisms for remittance transfers to foreign countries. Expansion of these existing systems could allow banks, particularly smaller banks, the opportunity to provide low-cost remittance services to more countries.

The CFPB, the Federal Reserve Board, the Federal Reserve Banks, and the Department of the Treasury are working to implement the remittance provisions of the Dodd-Frank Act.

- Board staff is working on a proposed remittance transfer regulation, and expects to present a proposal to the Board for its consideration in late spring. In support of the rulemaking, the Board staff has conducted outreach to consumer groups, money transmitters, financial institutions, and other interested parties. The Board is also engaged in consumer testing of model remittance disclosures.
- The CFPB has dedicated staff to a two-part study focused on (a) the current and potential relationships between consumers' remittance histories and their credit scores, and (b) the disclosure of exchange rates used in remittance transfers.[4]
- In 2010, the Federal Reserve Banks expanded their cross-border offering of automated clearinghouse products to additional countries in Latin America (including El Salvador) and Europe.

[4] For individuals transmitting money to El Salvador, exchange rate disclosures may be of limited importance. El Salvador is a dollarized economy.